

Original 7:

May 7, 1996

*End of Carnival
Presentation -
Harrison Co. Gaming
Co.*

1 INDIANA GAMING COMMISSION
2 REGULAR MEETING
3

4 MAY 7, 1996
5 9:15 A.M (EDT)
6

7 HARRISON COUNTY PRESENTATION
8 HARRISON COUNTY QUESTIONS AND ANSWERS
9

10 HARRISON COUNTY GAMING COMPANY, LP PRESENTATION
11 HARRISON COUNTY GAMING COMPANY, LP QUESTIONS
12 AND ANSWERS
13

14 HORSESHOE CASINOS (INDIANA) LLC PRESENTATION
15 HORSESHOE CASINOS (INDIANA) LLC QUESTIONS AND ANSWERS
16

17 5:30 P.M. ADJOURN
18

19 THE MEETING IS CALLED TO ORDER
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COMMISSION MEMBERS PRESENT ARE:

ALAN I. KLINEMAN, CHAIR:

ANN M. BOCHNOWSKI, VICE-CHAIR;

THOMAS F. MILCAREK:

DAVID E. ROSS, JR., M.D.:

ROBERT W. SWAN:

DONALD R. VOWELS

ALSO PRESENT ARE STAFF MEMBERS:

JACK THAR, FLOYD HANNON, KAY FLEMING, JILL COPENHAVER,

PAM AYRES, AND AN AUDIENCE.

1 hired by Indiana and Kentucky to
2 set the boundary line back after
3 the lawsuit. Bill Christley went
4 out and he worked with us to exactly
5 establish how far that point is from
6 a given point on the land, and you
7 don't use the point where the water -
8 you go back to a fixed point.

9 MR. MILCAREK: It keeps moving,
10 right.

11 MR. JAMISON: Right. And you
12 go back to a fixed point. And so
13 from that point we know that at nor-
14 mal pool, which is the other measure-
15 ment we use because that doesn't
16 change, we have varied between a
17 hundred and sixteen, a hundred and
18 eight, hundred and forty-four, a
19 hundred and thirty-eight up to a
20 hundred and sixty feet of existing
21 Indiana water. The boats are a hun-

1 dred and three feet wide. In addi-
2 tion to that we have cut back eighty-
3 five feet to give us a margin of
4 flexibility when the boat leaves the
5 dock.

6 MR. MILCAREK: How far do you
7 intend from one mile marker to what
8 mile marker to cruise the boat?

9 MR. JAMISON: Our site extends
10 from six twenty and a half, and a
11 half mile upstream and downstream,
12 we have three thirty-five hundred
13 feet, and we will cruise strictly
14 within our boundaries. It will not,
15 uh, we might but we haven't measured
16 and that starts making it a little
17 iffy

18 MR. MILCAREK: So you're saying
19 it's a half mile between the mile
20 markers that you can go into...?

21 MR. JAMISON: And we think it
 is important that when Mr. Johnson

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was looking at the sites, he knew this was an issue. Obviously, he didn't know exactly where a point was on any given site, but he knew, uh, we had to have a site that gave us some flexibility to dig back further if need be. You know, if we do further work and we need to cut back a little further we can do that. We have the ability on the site to cruise safely and satisfy the requirements of the statutes.

MR. MILCAREK: What is the patron capacity of your temporary boat?

MR. STURGES: The decision we made regarding our temporary vessel was that hopefully upon the selection by the Commission, that we would finalize the deal on a temporary vessel. The ship broker who for the

1 last fifteen years has arranged all
2 of Carnival ship building and also
3 helped us arrange the construction
4 of our permanent riverboat, has been
5 working on arranging for us to char-
6 ter a temporary vessel. As of yester-
7 day, he has advised us that there
8 are at least five vessels available
9 and we felt as a business matter that
10 we should finalize those arrangements
11 after we were selected and negotiate
12 the best deal. We are aiming to
13 have a temporary vessel that would
14 have anywhere from I would say a
15 minimum of fifteen hundred gaming
16 positions up to what we have in our
17 permanent vessel which is twenty-
18 three hundred, and there are five
19 boats that fit that category.

20 MR. VOWELS: This program you
21 have which would help high school

1 graduates go on and attend Indiana
2 University, how much in dollars
3 would this amount to average?

4 MR. STURGES: I'm sorry.
5 Could you repeat that?

6 MR. VOWELS: Yes. Your scholar-
7 ship fund to help high school graduates
8 attend an Indiana University in this
9 scholarship fund, what would be the
10 approximate dollar per student value
11 of this?

12 MR. STURGES: That is part of
13 one of the programs that we want the
14 Harrison County Civic Foundation to
15 implement, and the way we've struc-
16 tured the Harrison County Civic
17 Foundation where we've made an ini-
18 tial contribution of five million
19 dollars and make ongoing contribu-
20 tions based upon revenue, is that
21 we have one representative, Carnival

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will have one representative on that board and the rest of the board will be comprised of four members selected from the community and that five member board will decide how the dollars best be allocated because our philosophy was that really the local folk are the people who really know where the needs are the greatest. We've set an agenda which we think addresses what we see as some of the needs in the local community and in the State of Indiana, but it really in the final analysis it will be the judgment of a five-member board that would decide how much to allocate to each of those programs.

MR. VOWELS: And the initial that you plan?

MR. STURGES: Yes, five million dollars.

1 MR. VOWELS: Okay. One other
2 question here. How did you receive
3 the endorsement of the NAACP? Was
4 that done by a panel, a group of
5 people, how did you achieve that?

6 MR. STURGES: The NAACP and
7 ourselves began a discussion a few
8 months ago. We wanted to respond to
9 the goals of their organization.
10 They provided us with a fair share
11 agreement which they felt would be
12 achievable and realistic goals for
13 any casino company that wanted the
14 business in the State of Indiana.
15 We reviewed their fair share agree-
16 ment, after some further discussions
17 we agreed to what they had requested.
18 Essentially what we've agreed to is
19 that we would create a minority em-
20 ployment compliance officer who would
21 assure that we met our minority hir-
ing goals. On the vendor side, there

1 would be a minority vendor compliance
2 officer which would do the same. We
3 additionally agreed to create a mino-
4 rity advisory committee which is
5 something that we just didn't invent
6 for this deal but this is something
7 that we created in Baton Rouge. I
8 might add it was done without any
9 government agency telling us we had
10 to. We felt it was the right thing
11 to do. Comprised representatives in
12 minority community to help also ad-
13 vise us and oversee all of our affir-
14 mative action programs. Additionally,
15 we have agreed to provide a hundred
16 and fifty thousand dollars annually
17 for the State NAACP for their use
18 and in furthering their efforts to
19 assure that the minority community
20 has a stake in the commerce in the
21 State of Indiana.

1 MR. VOWELS: Were the other
2 applicants given the same opportunity
3 or, I mean endorsement is a pretty
4 strong word, over a certain
5 I was wondering whether a committee
6 would be appointed or.....?

7 MR. STURGES: I honestly don't
8 know. I really don't know if other
9 companies would talk to -- I can
10 only assume.

11 MR. DOUG BROWN: I might add
12 here, if I might, I'm Doug Brown
13 representing Carnival as Indiana
14 Counsel. We've been actually work-
15 ing with the NAACP for a couple of
16 years on this project concerning what
17 their needs were, concerning what
18 our needs were. I think one of the
19 substantial factors in the endorse-
20 ment was the tremendous results
21 that we've had in Baton Rouge. It

1 was also we were very proud of them
2 and that they were very impressed
3 with. Franklin Brent was the, has
4 been the President of NAACP State-
5 wide for now twenty years. Anybody
6 certainly could have approached them
7 and, you know, talked about a pro-
8 gram like we've entered into with
9 them. It's my understanding that
10 did not occur. We're the only ones
11 that approached them. And we worked
12 out an arrangement, and we're very
13 pleased to have them.

14 MR. MILCAREK: Could you cover
15 some of the types of local vendor
16 programs you would have such as what
17 services to the women and the minori-
18 ties provide? What do you do? What
19 do you tell them, that you're gonna
20 provide linen or cleaning services?
21 How do you start by telling people,

1 how would people find out what you
2 have to offer and what would some
3 of those things be?

4 LESTER POURCIAU: I thought there
5 was a booklet that you have in your
6 books that talked about some of the
7 things in the program. We go out
8 and actively search out, we make a
9 list that's in this brochure. We go
10 out from this list --

11 MR, KLINEMAN: Would you iden-
12 tify yourself please?

13 MR. POURCIAU: I'm Lester
14 Pourciau, I'm President of Human
15 Resources at Casino Rouge. Through
16 local minority business organizations
17 we go out with this list and try to
18 help develop companies, we have gone
19 in and tried to work with them with
20 pricing, also tried to work with
21 minority companies on better suppliers

1 to get their prices down.

2 MR. MILCAREK: And is this your
3 program at Baton Rouge?

4 MR. POURCIAU: Yes, it is.

5 MR. MILCAREK: Give me an
6 example of a few of the companies
7 that you have done this with, what
8 services they're providing?

9 MR. POURCIAU: We do it through
10 local companies. Our cleaning ser-
11 vice is a company that we do it with.
12 We provided, uh, Art Frank met with
13 a company that provided the cups in
14 our slide area, their prices were
15 too high. Art went out and found a
16 supplier to supply that company with
17 a cheaper cup. They put their logo
18 on the front and sold it. We do
19 that with almost everything. I can
20 name every single vendor we do that
21 with.

1 MR. MILCAREK: Do you have more
2 than just cups and cleaning?

3 MR. POURCIAU: Oh, yeah, we
4 have everything. We did a lot of it
5 with the building of the project.
6 We did that although I think we had
7 a goal of ten percent and it wasn't
8 much over that in our building budget.
9 We went out and found and hired the
10 companies in the community and worked
11 with them, especially on pricing,
12 that was the big area, worked with
13 them to get their prices in line so
14 that they would bid.

15 MR. STURGES: I might add to
16 that: That this minority advisory
17 council that we have established in
18 Baton Rouge as well as what we are
19 planning for here, is very helpful
20 in this regard because they are re-
21 presentatives in the business com-

1 community that are a conduit of infor-
2 mation about what's needed by Casino
3 Rouge and they are part of the out-
4 reach into those communities to make
5 sure that qualified businesses have
6 the opportunity to become involved.

7 MR. ART FRANK: I'll just add
8 a couple more specifics to it as far
9 as goods and services, we purchase
10 our marine fuel through a minority
11 company, we purchase our uniforms
12 through a minority company and some
13 of our food comes from a minority
14 company as well.

15 MR. MILCAREK: One other and
16 then I'll stop. The admission, six
17 dollar admission, do you feel
18 comfortable with that? I mean it's
19 among the highest..
20

21 MR. STURGES: In all honesty,
Commissioner, the admission fee will

1 be what the market can bear. We in
2 Baton Rouge had originally planned
3 to charge a admission fee -- of course
4 that admission fee has also got to
5 respond to the market which means you
6 don't charge Monday mornings at 10:00
7 A.M. what you would charge, if any-
8 thing, what you would charge Saturday
9 night, but we found that by the time
10 we got ready to open, mostly
11 because of the influence of all the
12 Mississippi operations, that it was
13 no longer feasible for us to consider
14 charging an admission. Additionally,
15 even if an admission is charged, it
16 is quite often something that is
17 compt back to frequent customers,
18 and so as a result there's not neces-
19 sarily any out-of-pocket expenditure
20 for, you know, your best customers.
21 It's almost impossible right now to

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say exactly what the program is.
We've got to see what the competitive position is at the time we open and make a judgment at that time, but at the present, things stay the same, we would be charging an admission noted in our submission. We'd flex it according to the time and date.

MR. MILCAREK: Back to the situation with reference to minority hiring, what we heard from the county was one percent minority here in Harrison County. What do you intend to do? Do you intend to hold job fairs outside of the county? When to meet, what numbers you would select.....?

MR. STURGES: Yes, we do, and I think it's important also to maintain the principle that the overriding policy of the Indiana Gaming

1 Act as we see it and as we would
2 implement it, is that it's Hoosiers
3 first and that Indiana residents are
4 the first and foremost goal for our
5 project to make sure they receive
6 the benefits of this project. Within
7 that framework, we have set specific
8 targets, I'm not sure precisely what
9 the percentages are, but we have tar-
10 gets for minority hiring within that
11 overall framework of Indiana residents
12 first.

13 MR. MILCAREK: Along that same
14 line, building the boat on site,
15 there was discussion about the south-
16 ern Indiana building trades and the
17 Boilermakers Local 374; is that a
18 local? I mean is that going to be
19 a union hall out of this area? Mr.
20 Maday, I believe was here to speak
21 to us yesterday and I remember seeing

1 him during the hearings at the doors.
2 He is from Northwestern Indiana.
3 Are they actually going to be from
4 down here or are they gonna be shipped
5 in from the north or what?

6 PAUL MADAY: No. They -- my
7 name is Paul Maday, I'm Assistant
8 Business Manager with Boilermakers.
9 No, our local union encompasses the
10 whole State of Indiana. Our hall is
11 located in Hammond, Indiana, but our
12 State is divided into three zones.
13 We've got about, I'd say forty per-
14 cent, and that's a conservative num-
15 ber of our membership is from southern
16 Indiana.

17 MR. MILCAREK: And how do you
18 define southern Indiana? Are we
19 talking south of Indianapolis?

20 MR. MADAY: Yeah, I would --
21 Zone 2 - Zone 1 would go like as far

1 south as Lafayette. Zone 2 would go
2 from Lafayette to south of Indiana-
3 polis and then Zone 3 from there
4 down to Tell City.

5 MR. MILCAREK: Are there gonna
6 be sufficient people in this area,
7 or are you gonna have to bring people
8 in from outside..?

9 MR. MADAY: Well, we've got
10 about a dozen of our members right
11 here from southern Indiana sitting
12 right in the back over here. You
13 guys want to stand up and identify,
14 show yourselves.

15 MR. MILCAREK: Okay. Well, we
16 say southern Indiana and that could
17 be Mt. Vernon or that could be
18 Lawrenceburg. I mean..

19 MR. MADAY: Yeah, we have, well,
20 we have quite a few members that
21 live, uh, from Perry County all the

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way to the east in Zone 3 here, and like I say, about I would say approximately forty percent of our total membership lives in southern Indiana which would be say I'm gonna go south of Indianapolis to the Ohio River.

MR. MILCAREK: Well, will there be concentration on trying to get the people who are of your union and in this specific area?

MR. MADAY: Uh-huh.

MR. MILCAREK: Are there be able to do it. If there's gonna a be a boat on site I'd like to see the ripple effect here in Harrison County. I mean is there gonna be a concentration in that regard?

MR. MADAY: Oh, yes. As a matter of fact, when this job will be dispatched, it will be dispatched

1 primarily from the Zone 3 out of
2 work list. And like I say, those
3 are people, our members, that live
4 from Perry County all the way to
5 the east. What we do in certain cir-
6 cumstances is like right now we
7 presently have a lot of the members
8 that are from southern Indiana work-
9 ing up in Zone 1 because of all the
10 work that's going on presently at
11 the steel mills. When that finishes
12 up these members come back down here
13 and it affords a bigger pool of em-
14 ployees by having our local union
15 cover the entire State of Indiana.
16 But, primarily, it will be dispatched
17 from this Zone 3 list.

18 MR. SUNDWICK: Do you have --
19 how many people are in the union,
20 local union?

21 MR. MADAY: We have presently

1 local members in 374 approximately
2 nine hundred and sixty.

3 MR. SUNDWICK: How many are
4 employed today?

5 MR. MADAY: Today, I would say
6 over eight hundred.

7 MR. SUNDWICK: So, somebody
8 made the comment that we had three
9 hundred union Boilermakers; is that
10 right?

11 MR. MADAY: Uh-huh.

12 MR. SUNDWICK: Three fifty-two.
13 I've got three hundred. But then--

14 MR. BRIAN GELKE: This is
15 Brian Gelke with CBI. There will
16 be three hundred workers on the pro-
17 ject. They're all Boilermakers.
18 About half of the project is con-
19 structed by the Boilermakers. They
20 do the steel work and then you've
21 got electricians, carpenters, all

1 the other duties, trades and Indiana
2 southern building trade.

3 MR. SUNDWICK: Are they all gonna
4 be union?

5 MR. GELKE: That is our inten-
6 tion to build the boat union, we hire
7 union contracts.

8 MR. SUNDWICK: So, we got a
9 hundred, what a hundred and fifty
10 then out of work. A hundred out of
11 work and we need a hundred and fifty
12 and they're gonna all have to come
13 to southern Indiana?

14 MR. GELKE: Well, let's -- can
15 you put up the chart? It may be a
16 little easier to look at the chart.
17 There will be at its peak employment
18 that many members on the project.
19 When the charts move up we'll be
20 able to see.

21 MR. SUNDWICK: So you can under-

1 stand, what we're trying to get to
2 is how do we get three hundred people
3 on from what we've gleamed out of
4 your presentation, how do we do this?
5 It doesn't make sense to us how you
6 could do this.

7 MR. GELKE: What we will do is
8 similar to what we did in Elgin.
9 Elgin is the local one which is the
10 Chicago area, a hundred and fifty
11 members. On that project we have
12 about a hundred and fifty members.
13 We draw from the local area much as
14 we can and then they bring in what
15 they consider boomers either from
16 within the state or from the upper
17 north of the state. It's a little
18 hard to see there the different
19 colors. In the beginning there you
20 can see at the bottom there's blue
21 and that's the man loading for the

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boilermaker craft and then later on down the project you can start to bring in the other crafts, the electricians, the carpenters, the finishers and the people like that.

MR. SUNDWICK: So really what's gonna happen, we're gonna, before we're gonna have to import some people into the community is boilermakers to get this project done? Is that right?

MR. GELKE: I think that is pretty safe to say.

MR. SUNDWICK: And what we're gonna, then the balance is gonna have to be local people; that's what you are saying?

MR. GELKE: Yes.

MR. SUNDWICK: And that's why you want to build it on site, that's what you're telling us that

1 you are wanting to build it on site
2 because you want to use local folks?

3 MR. GELKE: Yes. What we will
4 do is we will be able to hire local
5 folks in the beginning of the pro-
6 ject. Once we start wrapping up
7 there will be probably about a five
8 to six week period when outside
9 people will have to be hired to meet
10 the manpower loading that we're gonna
11 require. Of course, it's gonna de-
12 pend on what other work the boiler-
13 makers have in the state on what the
14 actual mix is on the project.

15 MR. SUNDWICK: Do you know what
16 the unemployment rate is in this
17 county?

18 MR. GELKE: I think it's about
19 twelve point nine percent.

20 MR. SUNDWICK: How many people
21 is that, do you know?

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MR. GELKE: I am not sure exactly how many that is for this town but not a lot.

MR. MADAY: I just wanted to add that one of the reasons that we really want to get this boat built on site in using the boilermakers from down south here was because on a lot of occasions these men have to go up north to work in the steel mills to find work, and that they don't have the base as much as we do up north. By having this built locally, it would afford these men to stay home and work out of their back yards so to speak, without having to boom up to a different area to find work.

MR. SUNDWICK: One last question: Are all your local all Indiana residents?

1 MR. MADAY: I would say that
2 ninety percent at least are. We
3 have a few that live maybe over the
4 border in Ohio or Illinois or
5 Kentucky, but the vast majority of
6 our members, yes, they live in local
7 374 jurisdiction Indiana.

8 MR. STURGES: Commissioner
9 Sundwick, I'm wondering if it might
10 be appropriate, our slide made the
11 statement on that we anticipated ad-
12 ditional economic benefit to the
13 State of Indiana of some forty-five
14 million dollars as a result of build-
15 ing the boat on site. I think it
16 may be important, we're talking about
17 one element of that is labor issue,
18 but Crowe Chisic developed a number
19 for us as to what the benefit would
20 be to the State and how it all aggre-
21 gates, and what I think the over-

1 riding point here is what we're say-
2 ing is I think we're making a ges-
3 ture that's gonna do a lot more for
4 the State of Indiana than building
5 a boat in Louisiana and floating it,
6 you know, floating it to the site.
7 There may be some labor availability
8 issues and by the time we're build-
9 ing the boat that labor market could
10 change. There may be three hundred
11 people who need a job at that point.
12 We can't be sure of some of the analy-
13 sis but there are some important
14 points that I think the Crowe Chisic
15 analysis shows about an on site con-
16 struction that with the Commission's
17 indulgence, I think it might be help-
18 ful for them to summarize for you
19 how they arrived at that number.

20 MR. MATT ROUTH: Ladies and
21 gentlemen, my name is Matt Routh.

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I'm with Crowe Chisic. It's nice to see you again. We've been commissioned to analyze the economic impact of producing the boat on site. As part of that process we use the Rens model which I know you're familiar with now because it's the same model that the Spier Report has used for calculating economic impact. In conjunction with CBI, which conducted their own independent study with their own independent consultant on the economic impact of the Elgin boat. We used their number of roughly seventy percent local economic impact from the spin off for the total economic impact from producing the Elgin boat on site. We saw that as a reasonable number for the Indiana number as well, and when we ran through our multiplier, it's discount-

1 ed by seventy percent, etcetera,
2 etcetera, uh, came up with a number
3 for the economic impact of approxi-
4 mately forty-five, forty-six million
5 dollars from building the boat on
6 site in Indiana.

7 ANN BOCHNOWSKI: Instead of all
8 that, when I read the Spier Report
9 I skip through that explanation.

10 MR. ROUTH: Don't say that,
11 they won't hire me again.

12 ANN BOCHNOWSKI: You know, what
13 specifically besides wages, hotel
14 rooms, restaurants?

15 MR. ROUTH: Right. It's hotel
16 rooms, it's restaurants, it's if,
17 for example, people did have to come
18 in from Evansville because there
19 aren't Boilermakers in the region
20 with the specific skill, pipefitters,
21 etcetera, perhaps there aren't pipe-

1 fitters in Harrison County who can
2 day commute. Perhaps they have to
3 get an extended stay room at the
4 Budgetel or somewhere, then the
5 Budgetel obviously has to hire people
6 and so on and so on. You know, it
7 is the whole ripple effect then.
8 So, yes, that is all included in our
9 economic impact number.

10 ANN BOCHNOWSKI: Material?

11 MR. ROUTH: Materials, of
12 course. And here in Indiana, we've
13 got Cummins just up I-65 which pro-
14 duces very large engines for very big
15 ships, and certainly the ripple ef-
16 fect extends that far, perhaps up
17 to Gary to produce the steel and so
18 on. There are literally, the econo-
19 mic number is a global number because
20 there are no--

21 ANN BOCHNOWSKI: I'm sure you

1 are not promising us that you are
2 gonna buy Indiana steel..?

3 MR. ROUTH: I can't promise
4 anything. I can't promise anything,
5 but what I can do, what I can try to
6 do is explain to you that the econo-
7 mic impact number is a global number
8 and what we've tried to do is dis-
9 still it down to the Indiana basis.

10 BRIAN GELKE: I'm Brian Gelke
11 from CBI and we buy approximately
12 eleven million dollars worth of steel
13 from Bethlehem alone up in northwest
14 Indiana. That is the primary sup-
15 plier in this area are the mills
16 there and we can guarantee that it
17 will be all Indiana steel.

18 MR. ROUTH: If I might add as
19 well to, with the I believe one of
20 the concerns of Mr. Sundwick and Mr.
21 Vowels' concern related to local hir-

1 ing, we are obligated under the terms
2 of our development agreement with the
3 county to give first preference to
4 county hirings and then second pre-
5 ference to surrounding counties. So
6 we will be legally obligated to do
7 that to the extent it's possible.

8 MR. SUNDWICK: Mr. Vowels wants
9 to know if we're gonna commit to
10 Cummins Engine?

11 MS. BOCHNOWSKI: We're all
12 gonna get our little piece of the pie.

13 MR. VOWELS: One question I
14 have if you're gonna build it on
15 site I assume it will be on land
16 that you own there down at the river,
17 right?

18 MR. ROUTH: Right.

19 MR. VOWELS: How does that im-
20 pact on the time frame, developing
21 your temporary facility and your per-

1 manent facility if you're gonna have
2 this big boat being built and I
3 assume the same way; won't that slow
4 it down?

5 MR. STEVE SMITH: The big
6 advantage we have there is they have
7 a hundred and fifty acres in an
8 ideal site. As you will see when
9 they pull up the slide, it's actually
10 in an area they don't plan on develop-
11 ing right away, and an extra thirty-
12 five acres. So basically our impact
13 on the temporary facility and build-
14 ing the permanent facility will be
15 basically non-existent other than
16 any traffic flows of people coming
17 to the site. Over on the southwest
18 corner on the lefthand side of the
19 screen is the area where we will
20 build the boat, and we're showing
21 about six and a half acres of that

1 that we'll actually use.

2 MR. VOWELS: All right. So
3 it won't make any difference in that?

4 MR. SMITH: Right.

5 MR. THAR: May I ask a follow-
6 up?

7 MR. VOWELS: Go ahead.

8 MR. THAR: Mr. Smith, what are
9 the Corps permitting issues that are
10 impacted by building the boat on
11 site? Do you have a separate permit
12 or that slow down long enough, per-
13 manent permit or what are the issues
14 regarding that?

15 MR. SMITH: We will have to
16 get a temporary permit for the
17 actual launch of the boat. That will
18 be the only time that any activity
19 that's below the ordinary high water
20 mark requires a permit. We are at
21 the present, as I have said, conduct-

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ing a archeological survey on the whole tract, the whole hundred and fifty acres. As soon as that's completed, as Doug Shelton has explained in the past, there are certain allowances that the Corps allows to go ahead and do certain types of construction, types of things they need to do to build the boat on site can begin after the archeological sign-off has been done as the Corps calls it. So, yes, they cannot start the day you issue us a certificate of suitability. Depending on the weather, if it ever clears, the archeology will be completed, we'll get that process done we're estimating two to three months following the certificate of suitability, all the archeology things will be done and we can start building the boat on

1 site. So there are some inter-
2 facing between the activities, yes.

3 MS. BOCHNOWSKI: Yeah, that
4 does, that's a good point. For
5 example, down in Rising Sun, we had
6 problems with just, I mean all they
7 put up was like a little trailer or
8 something, and you're -- are you
9 talking about starting to build be-
10 fore you actually get your Army
11 Corps Permit?

12 MR. GELKE: They started before
13 they had received archeological
14 surveys.

15 MS. BOCHNOWSKI: That was the
16 problem?

17 MR. GELKE: That's the problem,
18 they run in and also Lawrenceburg,
19 same type situation.

20 MS. BOCHNOWSKI: Okay.

21 MR. GELKE: That's gotta be
completed before you do anything on

1 the site.

2 MR. KLINEMAN: Mr. Smith, you
3 said that you don't anticipate any
4 surprises in your Corps application
5 and review, but you didn't tell me
6 there were no problems.

7 MR. SMITH: There's always
8 problems.

9 MR. KLINEMAN: Do you want to
10 enumerate the problems that you
11 assume aren't gonna surprise you?

12 MR. SMITH: Well, no, good
13 observation. That word, of course,
14 was carefully selected. No, the
15 surprises you have are if you haven't
16 done your work in advance, and you
17 start on down the road, you receive
18 the certificate of suitability and
19 then you find out you've gotta go
20 through the process that Rising Sun
21 is doing on the Rabbit Hash General

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Store across in Kentucky. We have already....has looked at everything, we don't have those kinds of things gonna pop up later. The cultural resources are exactly what you would expect to find along the river, you are gonna find some artifacts of Indians and also other three or four kinds in those kinds. That's all in the mix, in the process, so this site to the best anybody can look at, we're not gonna have any surprises. But, yes, there are a lot of things that are gonna have to start the day we get the certificate of suitability. Wetlands, we don't have a problem with wetlands. That, again even if we did, if you already know about them and already are doing your work and spending the dollars, you can take care of that

1 in a, uh, the six month period that
2 Doug Shelton is gonna tell you --
3 six to nine I think is his favorite
4 phrase -- and/or June of what year
5 is his new favorite phrase. But,
6 essentially that's because you haven't
7 done your homework in advance and
8 you get caught. And so right now,
9 no, there are no surprises that we
10 are keeping in our back log.

11 MR. JACK RAUEN: I think if I
12 could add to that, also one of the
13 things we'd like about our site being
14 a hundred and fifty acres with
15 thirty-five hundred feet of river
16 frontage is that we have some flexi-
17 bility in terms of the use of por-
18 tions of the site and if things,
19 you know, do evolve a certain way,
20 not to our satisfaction we've got
21 some flexibility. Not that we ex-
pect to have to use it but it's sure

1 nice to have a site of this magnitude
2 in the event something does arise.

3 MR. SUNDWICK: I've got one
4 I'd like to ask. It's a change.
5 In your original proposal you pro-
6 posed a hundred room hotel, and I
7 heard today it was to two hundred
8 room hotel in phase I and then five
9 hundred rooms in phase II. All right.
10 Could we have somebody explain the
11 changes and how do we get to two
12 hundred to five hundred, and is this
13 for sure, or could be?

14 MR. RAUEN: Right. One thing
15 we want to be clear about and I think
16 our submission says explicitly that
17 the commitment that we are making
18 is a two-hundred room hotel. We have
19 designed our site in a way to accommo-
20 date up to five hundred rooms and
21 our business plan is that we will

1 build additional rooms when we be-
2 come satisfied that the demand is
3 strong enough to handle a five-
4 hundred room facility. And, frankly,
5 at this point we have doubts about
6 whether the demand would be there
7 for a facility of that size.

8 MR. SUNDWICK: So the commit-
9 ment is two hundred rooms?

10 MR. RAUEN: That's correct.

11 MR. SUNDWICK: And it's not
12 in this book?

13 MS. BOCHNOWSKI: Yes, it is.

14 MR. RAUEN: Yes, it's two
15 hundred rooms and in our project bud-
16 get of a hundred and fifty million,
17 that the cost is built into that for
18 a two hundred room resort, not the
19 five hundred.

20 MR. KLINEMAN: What were some
21 of your projections on the number of

1 patrons and had the phrase:
2 destination patrons, and you have to
3 have some place to house the destina-
4 tion patrons. Is there any conflict
5 between those figures and your two
6 hundred room facility?

7 MR. JACK RAUEN: I'm Senior
8 Vice President of Finance for Carnival.
9 With the two hundred room hotel we
10 have about fifty-one thousand annual
11 room nights and our furthest markets
12 are about three hundred thousand in
13 total in our projection of three
14 point six million. So we had fifty-
15 one thousand available room nights
16 for three hundred thousand visitors,
17 and, you know, from a market stand-
18 point we think that works.

19 MR. KLINEMAN: And what quality
20 of motel are you talking about? You
21 were using the phrase that you have

1 all of these grades and facilities.

2 MR. RAUEN: I'm gonna ask our
3 marketing..

4 MR. GEORGE BRENNAN: I'm George
5 Brennan, Senior Vice President of
6 Marketing. This will be a full ser-
7 vice hotel with pool and tennis
8 courts and all of the amenities that
9 you'd expect to find in a full ser-
10 vice hotel with the ability to not
11 only entertain individual guests but
12 if they, those groups who'd like to
13 conduct meetings and conferences as
14 well.

15 MR. KLINEMAN: Yes, how many
16 star hotel, my fellow commissioner?
17 One, two?

18 MR. BRENNAN: Well, we'll have
19 to earn the stars, but we see this
20 as the rest of our product as a de-
21 sign for the mid market that will be

1 in the three to four-star range.

2 MR. SWAN: Let me change hats
3 for just a second. Looking at the
4 ownership of the organization and
5 we have a twenty percent owner called
6 Hoosier Gaming, who it appears to
7 bring no equity to the table. I'm
8 not sure if I understand that right,
9 but I'd like to know more about the
10 partner or the partners of that
11 entity and what they're bringing to
12 the table.

13 MR. JOHN JOHNSTON: My name
14 is John Johnston, President at Mount
15 Albany Gaming. The twenty percent
16 which has been in my mind committed
17 to Indiana residents, which in our
18 mind also is probably one of the
19 greatest economic tools you can do
20 as far as reinvestment, etcetera, at
21 letting Indiana residents share in

1 twenty percent of the profits of
2 this riverboat. To date six and a
3 half percent of the gross amount has
4 been committed to and the other thir-
5 teen and a half percent is outstand-
6 ing. The six and a half percent is
7 going to three individuals who have
8 been working with us for over three
9 years. I have been going to your
10 hearings ever since Gary. I was
11 carefully watched how you all would
12 like that to be handled, and your
13 judgment on that, on those matters
14 as well as our judgment meshed very
15 well. The six and a half percent under
16 your categorization would be sweat
17 equity. It's going to three indivi-
18 duals who have put in literally
19 thousands of hours on this project,
20 they have provided time and services
21 and their loyalty and commitment to

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this and as a result of showing our loyalty to them and we're going to return that favor for the ownership interest. The other thirteen and a half percent has not been committed. There is no search being conducted for those ownership interests because once we made our filing we did not want a moving target as far as ownership, who, when. We will guarantee that that we will conduct that search for individuals of all race and gender and age at a time when and if we were licensed. Those shares would be purchased at that point. The remaining thirteen and a half percent.

MR. SWAN: Which three are remaining? I've got a list here of several people, I'm not sure who is really in the group and who is not.

MR. JOHNSTON: Doug Brown of

1 Stewart and Irwin law firm is in the
2 six and a half percent. He has two
3 percent. Nick Stein who's here
4 with us today. And Fred Purpuhl
5 has two and a half percent. He is
6 with the Cordino Engineering Group.
7 MS. BOCHNOWSKI: Have they provided
8 services for this?

9 MR. JOHNSTON: Yes.

10 MR. KLINEMAN: The thirteen
11 and a half percent that you are going
12 to search out, these people would
13 make an investment to be set by the
14 group at a fixed price and that money
15 would flow as equity into the pro-
16 ject? I mean there's no middle man
17 here who would be taking part of the
18 money that the people would be putting
19 up and then part of it would go to
20 the entity? Would all of it go to
21 the entity as equity?

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MR. JOHNSTON: Yes, it would.
And I repeat again it is committed,
it's not going to be absorbed into
Carnival Hotels and Casinos or myself,
it's for Indiana residents and those
shares maintain full voting power,
they're represented on the Board of
Directors, Hoosier Gaming is, and it
will be, it will flow into as equity.

MS. BOCHNOWSKI: Which board
of directors? Just for this project,
right?

MR. JOHNSTON: Just to make
sure that we're clear on that point,
the thirty-five million dollar cash
equity number that you saw during
our presentation has no relationship
to this thirteen and a half percent.
That is not a source of the thirty-
five million dollars.

MR. SUNDWICK: Well, what is

1 the thirty-five million dollars?

2 MR. STURGES: The thirty-five
3 million dollars is a letter in our
4 submission which has indicated
5 Carnival Corporation will fund up to
6 twenty-five percent of the project
7 costs, and the Johnston family is
8 also making their pro rata contribu-
9 tion to the equity.

10 MR. SUNDWICK: What would that
11 be?

12 MR. STURGES: Well, it's...

13 MR. JOHNSTON: Thirteen million
14 dollars.

15 MR. SUNDWICK: Is the new --
16 excuse me -- is the new, I think you,
17 are you president of New Albany, is
18 that what this is?

19 MR. JOHNSTON: Why don't you
20 explain that part, how did you get
21 involved in this?

1 MR. JOHNSTON: Well, that's a
2 longer story but it all started out,
3 my roots come from our businesses in
4 real estate development, horse racing,
5 and greyhound racing in Chicago and
6 Florida. Illinois was the second
7 state in the country to pass river-
8 boat legislation back in 1990-1991.
9 Partners of ours were involved in
10 riverboat operations within Illinois.
11 Several of them, the Empress and
12 the organization in Casino Queen.
13 It peaked my interest to getting in-
14 volved with generally being in the
15 gambling industry and getting involved
16 more in the gaming industry. We were
17 in Indiana before the legislation
18 was even passed involved in the river-
19 boat effort. Subsequently came to
20 this region. Originally initiated
21 in New Albany, Floyd County. That

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effort failed in November of 1993.
We then the following morning came
to Harrison County and established
our roots here and have been here
since.

MR. SUNDWICK: So the thirty
percent that's owned by New Albany
is really not an Indiana ownership
at all, is it?

MR. JOHNSTON: No. There's
twenty percent Indiana ownership and
that's Hoosier Gaming.

MR. SUNDWICK: And let me tell
you this rate. Six percent of that
is sweat equity?

MR. JOHNSTON: Yes sir.

MR. SUNDWICK: Fifteen..

MR. JOHNSTON: Six percent of
the gross.

MR. SUNDWICK: And I see Mr.
Rauen every place, I'll agree you have

1 the, the sweat equity is probably
2 there 'cause he's been to everything
3 I've ever seen him. We've made him
4 sweat a couple of times. Who are the
5 other two?

6 MR. JOHNSTON: The other two
7 are Nick Stein -- he's an attorney
8 from New Albany, Indiana. He's been
9 working on this project around July
10 1993, the week after legislation
11 passed.

12 MR. SUNDWICK: Wait a minute.
13 I've seen Mr. Stein some place else.

14 MR. JOHNSTON: Switzerland
15 County.

16 MS. BOCHNOWSKI: Switzerland
17 County. He was on the.....

18 MR. SUNDWICK: Well, didn't
19 you have some interest in Switzerland
20 County?

21 MR. NICK STEIN: Yes, I did
and my partner left us about a year
ago and.....inaudible.

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MR. SUNDWICK: Well, didn't you stand in front of us and ask us to just only have one applicant, Switzerland County?

MR. STEIN: No, we asked you to keep it to the two applicants.

MR. SUNDWICK: Two applicants. Okay. I remember now. I'm just trying to remember. But I know I'd seen you and I didn't know what context.

MR. STEIN: I want you to recognize my sweat equity too..so..

MR. SUNDWICK: I just wondered who it was for. Sir, that wasn't really meant as an offhanded comment, I apologize.

MR. STEIN: It wasn't taken that way.

MR. JOHNSTON: The third gentleman you had asked about was

1 Fred Perpohl. He's been working with
2 us for over a year. As you know
3 these, uh, what I brought to the
4 table was putting the group together,
5 locating the land, getting the re-
6 ferendum passed in Harrison County
7 in conjunction with another applicant.
8 Those are the type things that my
9 part of the deal was. But as you
10 know these, in my partaking in my
11 end of the deal we had to analyze
12 all of the sites available and their
13 engineering feats as you now well
14 know and as we've seen some of these
15 since Gary these applications, an
16 engineering firm and the person
17 specifically who worked with me closely
18 on this is Steve Smith and Fred
19 Perpohl. Fred Perpohl is Executive
20 Vice President of the Cordino Group
21 who has four offices, ironically

1 enough in Miami, Fort Lauderdale,
2 Louisville, and Indianapolis. So it
3 fit perfect on their group's ability
4 to work with both Carnival and myself
5 in the homework as Steve said making
6 sure this is not only a project we
7 can do but a project that can be
8 done.

9 MR. SUNDWICK: Thank you.

10 MR. VOWELS: Part of that owner-
11 ship of Hoosier Gaming are the same
12 as TN and TS LLC?

13 MR. JOHNSTON: Yes.

14 MR. VOWELS: Which are two per-
15 cent of the applicant; that's ten
16 local attorneys; is that right?

17 MR. JOHNSTON: Those are part-
18 ners in Doug Brown's law firm,
19 Stewart and Irwin.

20 MR. VOWELS: Local always seems
21 to be an interesting concept.

1 Local as in western hemisphere. Is
2 it all people out of Indy?

3 DOUG BROWN: Commissioner
4 Vowels, that is me and my partners,
5 yes, we all live in Indianapolis.

6 MR. SUNDWICK: Local around
7 here can also be Louisville, right?

8 MR. KLINEMAN: We have ques-
9 tioned the county about the emergency
10 response programs. Would somebody
11 like to tell us what this group in-
12 tends to do with respect to emergency
13 response and beefing up the local
14 teams and so forth?

15 MR. STURGES: Well, let me
16 start off generally by observing
17 that we really felt that we needed
18 to take the lead of the local task
19 force on this point. It appeared
20 the approach being taken was to wait
21 until one applicant was selected and

1 then get down to the brass tacks of
2 deciding precisely what needs to be
3 done. And we followed their lead
4 in that regard. I mean I think it
5 is safe to say that Carnival is a
6 responsible company that is gonna
7 make sure that the safety of our
8 patrons is protected to the utmost.
9 I can tell you that we have agreed
10 in principal with the development
11 agreement. We don't have any problems
12 with the concept of, uh, the concepts
13 expressed in there. Even the develop-
14 ment agreement doesn't get down to
15 the nitty gritty question of how
16 many fire engines and how many more
17 squad cars and that is not covered
18 in the development agreements. I
19 don't want to mislead the Commission
20 in that regard. There's still dis-
21 cussions that have to be undertaken

1 and agreements reached with the local
2 folk in Harrison County, and we have
3 not had those detailed discussions.
4 All we can do is assure you that we
5 will responsibly have the conversa-
6 tions and do whatever is necessary
7 to have a safe facility.

8 MS. BOCHNOWSKI: Specifically,
9 though on that, that was my question
10 too, you have this Harrison County
11 Civic Association which you're going
12 to be giving thirty-two some million
13 dollars to, and I noticed included
14 in that - and I know I went kind of
15 fast - but included in that were
16 some things for infrastructure and
17 so on and so forth. Would you be
18 willing -- and then you've got your
19 hundred and fifty-five million in-
20 vestment. On top of all that, would
21 you be willing to provide the necessary,

1 because you are going to be making
2 an impact if you get a license here,
3 you would be making an impact on this
4 community and surrounding areas,
5 would you be willing to add money to
6 all of that to provide protection
7 emergency response in all areas,
8 any necessary infrastructure to get
9 to your facility? I mean within
10 reason. I'm not making the whole
11

12 MR. STURGES: Right. The word
13 "necessary" though is one of those
14 words, you know.

15 MS. BOCHNOWSKI: I understand.

16 MR. STURGES: But certainly
17 we accept the principle that any
18 direct impact of this project needs
19 to be paid for by the project. If
20 we have eight point five million
21 dollars in the budget now for some

1 infrastructure improvement that we
2 can get into the detail on. We've
3 also got a twelve million dollar
4 contingency in our budget and the
5 Harrison County Civic Foundation I
6 should emphasize was never intended
7 to be a vehicle to pay for the impact
8 of our project and kind of hide pro-
9 ject costs, if you will. As a matter
10 of fact, we've made the board up in
11 a way that wouldn't allow that to
12 happen even if we wanted to because
13 we are, we have one representative
14 on a board of five people. When it
15 comes to how those dollars are spent,
16 those five people will make that
17 decision and we are only one voice.
18 So it is certainly our expectation
19 that we are going to be dipping into
20 our pockets to cover some additional
21 direct impact costs through negotia-

1 tions and further discussions with
2 Harrison County.

3 MS. BOCHNOWSKI: But you have
4 actually budgeted for such..?

5 MR. STURGES: We have for some,
6 that's right.

7 STEVE SMITH: Commissioner
8 Bochnowski, if I might, we have also
9 agreed to advance one point seven
10 five million dollars directly to the
11 county for any purposes that it
12 deems appropriate. They have indi-
13 cated their intention to spend down
14 on infrastructure improvements un-
15 related to our project, but I wanted
16 to make it clear that we have in
17 fact agreed to find an additional
18 one point five seven million up front.

19 MS. BOCHNOWSKI: And then some
20 of that in addition to the safety
21 and the emergency response. We've

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talked about the water..I mean you in order to run a hotel it's like you're gonna have to have the waste water and the sewer and whatever probably improved.

STEVE SMITH: Yes, in our submissions, the same things you have mentioned and you heard Terry Miller talk about today; there is water problems, there is not sufficient water in Elizabeth. We are going to build a five thousand gallon storage tank and a well field to service that, and turn that over to the City of Elizabeth to own and operate. In addition the sewer, the sewer is a different issue and Terry alluded to that. There is no users for a whole sewer system. There is nobody wants to run one. So we are gonna take care of our needs.

1 We have excess capacity. What happens
2 in the future will be left to the
3 future to decide. Electrical is the
4 same thing. There is currently eight
5 and a half million dollars in our
6 project to do the road between our
7 site and the Harrison County or to
8 New Albany. There is a lot of money
9 being spent in New Albany, as was
10 mentioned getting off 64 and around
11 the corner and over the railroad
12 tracks. There is money in there to
13 fix those things and there's a lot
14 of detail around but it's the same
15 thing that people are gonna have to
16 do. We've got to make sure we get
17 people to our site or they won't come.
18 The road is gonna be widened by eight
19 feet, guardrails added, resurfaced
20 and striped. Those types of things
21 could make that trip an easy and con-

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venient trip to make. And all that money is in the budget now.

MR. ROSS: I just have something that is a little evasive.

MR. SMITH: Sure.

MR. ROSS: When you're in Baton Rouge or in a metropolitan area with a lot of hospitals and medical care. Out here you will be a long ways from anybody, and so even if you got the medical ambulances and all, there's still a lot of time lost from the time somebody would have a heart attack or something out on the water until you could get back to land. What is Carnival doing to make it safe for the patrons that are on the boat?

MR. SMITH: I'll start it because we've had those discussions over the last couple of weeks in fact.

1 Captain Jamison is here and he can
2 talk about the detailed plans that
3 are required on the boat before you
4 ever receive your license to operate
5 the boat. We have full-time twenty-
6 four hours a day EMT's both on the
7 boat and on the dockside facility.

8 MR. ROSS: EMT's or paramedics?

9 MR. SMITH: EMT's at this point.
10 There is a difference but these are
11 EMT's and that's what we have at
12 Baton Rouge. In the detailed plans
13 as to how you take care of a critical
14 victim between Louisville and the
15 site or between Harrison County and
16 Floyd County Hospital and the site,
17 those would be details that would
18 take time and effort to sit down and
19 figure out, but it will be done.

20 MR. ROSS: Well, in Indiana you
21 need to have a paramedic to do resus-
sitation.

1 CAPTAIN JOE JAMISON: Yes, I'm
2 Captain Joe Jamison, with Casino
3 Rouge. Basically, sir, addressing
4 the issue and I can talk specifically
5 what we're doing now on ongoing prob-
6 lems up and down the river system,
7 this issue has come up before in
8 Illinois with paramedics on the
9 boat. Currently, all the boats that
10 I'm aware of have an EMT assigned to
11 the security department, that are
12 on the boat, we will have one assigned
13 to land base to take care of patron,
14 employee, emergencies and first aid
15 station. Looking at having communi-
16 cation with the emergency response
17 people to with the patron heart
18 attack, whatever it might be happen-
19 ing that we can stabilize the patron
20 until the paramedic people get there.
21 Now, looking at the issue of para-

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medics that we specifically would have one on board, and there is no plans that I have, you know, at the moment that we would have specifically one on there. But we would have an EMT available.

MR. KLINEMAN: I think you ought to look into that because under Indiana law you need to have a paramedic to do that.

STEVE SMITH: No question. If there is a technical requirement for a paramedic, then this facility obviously would support a paramedic instead of an EMT. And that's what I think the point this morning was made. Those kind of specific details, you've got these corporations spent a lot of money getting to today as it is, you know, with twenty-five percent chance of success. Those kind

1 of plans will be done very quickly
2 and following the receipt of the
3 certificate.

4 MR. STURGES: If I could add
5 just one observation to that, although
6 the expertise isn't right here in
7 this room, we certainly have avail-
8 able to us again within our organi-
9 zation the emergency response exper-
10 tise of our cruise line, and you can
11 imagine some of the logistical pro-
12 blems that are facing the cruise
13 ship business with getting medical
14 attention to people who are having
15 medical problems in the course of a
16 cruise. And as I said, the expertise
17 isn't in the room but it's available
18 to us to make sure that we don't give
19 ourselves a false sense of security
20 about what's available in southern
21 Indiana versus Baton Rouge or any

1 other place we operate.

2 MR. KLINEMAN: Inaudible.

3 MR. SMITH: One additional
4 point if I might. The Indiana Gaming
5 laws as I'm sure you're aware re-
6 quires us to submit to the Commission
7 an emergency response plan for its
8 approval, which we will certainly do
9 and we have done in Louisiana.
10 It's been accepted by the Louisiana
11 Commission.

12 MR. SWAN: I was looking at
13 the win average, what's the win aver-
14 age over a weekend?

15 MR. STURGES: It's about
16 forty-five dollars, forty-six dollars
17 a day.

18 MR. SWAN: That seems to be
19 what we're seeing....forty to forty-
20 five dollars, but I see what you guys
21 have here is fifty-one dollar average

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over the five year period, forty-nine dollars on Where does that come from? How do you -- is that a number just being picked out of the air and when you get more experience we can see it's picked out of the air? Tell us where you came up with that?

JACK RAUEN: Jack Rauen from Carnival Hotels. Our core plan is forty-nine dollars. And that's based on forty-seven dollars from the local market, more trips, less average budget. To the farther out customers come to as high as fifty, fifty-one dollars. So the first year average is forty-nine dollars. Over the years through inflation I think that probably what you're suggesting is up to fifty-one.

MR. SWAN: So are you saying

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then that the farther the people travel to your boat the more they spend on the boat, rather than

MR. RAUEN: Less trips generally equates to a larger per trip budget.

MR. SWAN: Okay. I don't....
In reference to some people involved in the application just directed to Harrison, I understand that there have been portions of this put into trusts, but it's not real clear to me whether he has any control at all over those funds. If you could explain that and then some of the information that we received alluded to that but I'm not real sure where that stands because of, if he does have to go over those funds..... the percentages.....

WOODY WEISER: I'm very familiar with those costs. The answer to

1 your question directly is he has
2 no control over those trusts. Those
3 have been absolutely assigned so he
4 maintains no control, economic or
5 otherwise, over those trusts.

6 MR. SWAN: Essentially an ir-
7 revocable trust, do you know who the
8 trustee is? Do you maintain trustee
9 status on those?

10 MR. WEISER: No, the trust is
11 for the benefit of his son, Nick
12 Garrison, who is the Chairman and
13 CEO of Carnival Corporation. And I
14 think the assignment is in your book,
15 as I recall.

16 MR. SWAN: We received the
17 booklet....

18 MR. WEISER: Yes sir.

19 MR. SWAN: Unequivocally, he
20 has no control whatsoever?

21 MR. WEISER: Unequivocally, he
has no control absolutely or involve-

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ment whatsoever, either in the day to day or indirectly or in some obscure way, he has no control, he has no involvement, and it is strictly now for the benefit of his son, Nick. And that, by the way, only involves the three point three two percent I believe it's three point three, or three point two two, I'm not sure, interest which ultimately he would have had had indirectly had he stayed in for the transaction, but he's not in the transaction.

MR. SWAN: Has he documented and signed all of that?

MR. WEISER: All of that has gone to Nick that is notto zero but it is controlled.

MR. ROSS: I have a question about the financial.. I think you said your budget is a hundred and

1 fifty-five million?

2 MR. STURGES: That's including
3 the first five million contribution
4 to the Harrison County Civic Founda-
5 tion.

6 MR. ROSS: Right. And compared
7 to two of the other applicants it
8 seems to be pretty low, and in seeing
9 the one slide it showed the forty-
10 five million that would go to the
11 State of Indiana for employment. It
12 seemed like that slide somehow tried
13 to depict what the difference was.
14 Can you explain that to me?

15 MR. WEISER: I'm not sure I
16 grasped the first part of your ques-
17 tion, but let me just try to answer
18 your question.

19 MR. ROSS: Well, the question,
20 maybe the slide doesn't enter into
21 it, but it seems like that primarily

1 you're doing about what everybody
2 else is doing, so I want to know why
3 you're a hundred and fifty million
4 and they're two hundred.

5 MR. WEISER: Well, like we
6 pointed out earlier, there are several
7 factors in carrying some of the other
8 applications that we don't face or
9 have elected to treat differently.
10 For example, Steve Smith mentioned
11 in some of the competitors would in-
12 cur twenty-three million dollars in
13 site costs that due to the advantage
14 of our site we won't incur.

15 MR. ROSS: You won't have any
16 of that?

17 MR. WEISER: We will have our
18 portion of it.

19 MR. ROSS: What is your por-
20 tion?

21 MR. WEISER: I'm sorry. We,

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we, that is an incremental cost. We will have costs to develop our site. Theirs will be, in some cases, that much more.

MR. ROSS: That much more?

MR. WEISER: That much more.

Now, secondly, land -- we've included our estimate for land at cost. Cash which we will pay to a number of option holders for our land. Some of our competitors have elected to arbitrarily assign a market value to the land, and at times that can be as high as the a seventeen million dollar difference between our proposal and theirs. So, right off the bat, Commissioner, there's a quarter of a million dollars of real difference when you're comparing the proposals.

MR. KLINEMAN: Along the same

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lines, I am confused, you put the forty-five million dollars in this chart. To me it doesn't belong in this chart. It may be a benefit to the state as you've indicated but it doesn't belong in this chart.

MR. WEISER: That's the point we were trying to make, that no doubt they will incur costs to develop their boats, but our costs will be to the benefit of Indiana economy.

MR. KLINEMAN: But your benefit won't be forty-five million dollars. I mean we're talking about incremental things, as you said a minute ago.

MR. WEISER: Uh-huh.

MR. KLINEMAN: And the forty-five million is not an incremental as I see it.

MR. WEISER: To the extent that it goes to the State of Indiana it is.

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If there's a boat being built in Indiana and one being built in Louisiana.

MS. BOCHNOWSKI: Right. But we're trying to compare apples to apples.

MR. WEISER: Right. To the extent that you're trying to compare apples to apples, I think your comment is right, Chairman. I think you're right. The forty million dollars as that describes is actually the differential between what they put on their budget and what our same cost for the same product will be. The next number in the statement mixing apples with oranges, if you will, is another number, significant as it is, but not significant if you're trying to separate what they built for theirs and what we built

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for ours. So I think your point is well taken.

MR. VOWELS: When I'm looking at what the project costs are, we have a hundred and fifty-five million dollars which includes that five million dollars to Harrison County Trust Fund. And I have here twenty-six million three hundred and seventy-three thousand dollars community incentives?

MR. WEISER: That's the present value of the first five years' contributions to the Harrison County Trust Foundation. Thirty-two million of gross contributions today's value twenty-six million.

The best way to look at it is we have a hundred and fifty million dollar construction project. On top of that we have a gross value of

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thirty-two million dollars worth of contributions worth of contributions to the trust foundation in the first five years. So, a hundred and fifty million dollar construction project. On top of that we have a gross value of thirty-two million dollars worth of contributions to the Trust Foundation in the first five years. So, a hundred and fifty plus thirty-two, a hundred and eighty-two. But the present value today of those contributions is twenty-six million.

MR. VOWELS: And what sort of increments are you giving money to that trust fund?

MR. WEISER: On an average, six million dollars a year.

MS. BOCHNOWSKI: What's your formula?

MR. WEISER: As Bob Trinkle explained earlier, it's two percent of

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the, the first hundred million of adjusted gross receipts, and three percent for the next fifty million, and then five percent for all amounts over a hundred and fifty.

MR. VOWELS: And what's that gonna be used -- I mean that goes into the trust fund?

MR. WEISER: That goes into the trust foundation for spending at the discretion of that foundation's board.

MR. VOWELS: Who is on the board? Is it local...

MR. TRINKLE: Yeah, our original recommendations, and the way I understand it's going to be now is we recommended it be two county commissioners. It would also include a nominee from the Harrison County Council who need not or may be a mem-

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ber of that council. He might be a member of the community. And a member nominated by the Corydon Town Council who may or may not be a member of the council and a member of Harrison County Gaming.

MR. VOWELS: Does it have a specific charter about where that money is supposed to go, or is it just at the discretion of that board?

MR. TRINKLE: There is no specific charger. I think we, our nominee to the committee we would encourage to support projects that over the last two years have been brought to the attention of the Harrison County Task Force time and time again. Our nominee would be encouraged to support those kind of projects.

MR. WEISER: Commissioner Vowels, one of the things that our develop-

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ment agreement with the County contains if an obligation on the part of the County to maintain 501-C-3 status for that entity, so it would have to be a charitable entity doing charitable work.

MR. VOWELS: Getting back to for a moment. He's definitely out of this project?

MR. WEISER: The answer is yes unequivocally.

MR. VOWELS: Would there ever be any circumstances at which he might re-enter the project?

MR. WEISER: I can't foresee any circumstances, and if he did, I would presume he would have to go through licensing and he would have more than the required but there is no plan at all for that, and so the answer to that is none that I know of at all.

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MR. VOWELS: You haven't made
any previous.....?

MR. WEISER: It's there for the
benefit of Mickey Ayres, which is
not Ted Ayres' family, children.

MR. THAR: I just have a couple
of questions. The Corps of Engineers
is always something with me. So I'm
going back to that. What is --

MR. WEISER: Always been some-
thing for me too.

MR. THAR: When do you estimate
your Corps permitting process time
is from certificate of suitability
forward?

MR. WEISER: Certificate of
suitability forward, Doug Shelton is
supposed to speak this week, I think,
and he's gonna say six to nine months
if he's still on your agenda, I don't
know. I've tried to convince Doug

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and I know my business, can do it faster, and he will never agree with me in public. We think that's a good time period, you know, with the weather, this project if you issue within thirty or forty days at your next meeting, we're gonna be in a good period of time to do a lot of investigative work and that type of thing. I think six months is a great time. I think we can probably beat it.

MR. THAR: You got the certificate of suitability and you did not have the Corps permit within nine months, would you agree to give the certificate back?

MR. WEISER: That's not my call to make.

MR. THAR: Mr. Sturges?

MR. STURGES: Do I have to answer

1 that right now?

2 MR. THAR: Well, we've got some
3 lingering Corps issues down here on
4 the river, and getting the boats
5 open and it's now becoming a little
6 bit more, a little bit more of a
7 priority, so we're looking for some
8 time period to hold you to. You're
9 representing that your site is the
10 best, you're representing that you've
11 done your homework. How much are
12 you willing to stand on time limit?

13 MR. STURGES: This would, to
14 the extent that it's a condition of
15 certificate of suitability that the
16 Corps permit be obtained and that we
17 would have a certain time period,
18 we'd certainly live with that.

19 MR. THAR: As to the temporary
20 question phase of that. Do you
21 honestly think it is gonna be done
in nine months?

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MR. WEISER: I'm not one of those sweat equity holders, so, but I guess everything is on the line anyway. In nine months with this project and this site, in my twenty-four years experience in permitting, I don't see that as a problem with this site. It's trouble when you have other agencies involved, as you all know you have EPA, you have fish and wildlife in Indiana. If the State of Kentucky was involved as you've got up in Rising Sun, you know, I'm not gonna take responsibility for them. Sometimes they do what they want to do. So that's tough to put on our responsibility. You know, put on our bid and control other agencies. But as far as getting the information, being responsive, spending the dollars that you have to

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spend to answer question, there's no question I've received all the support in the world from this group.

MR. THAR: Let's move to a couple of other conditions. There is no economic development agreement as I understand it signed with this Harrison County Group. Consequently, it puts this position in what they consider to be probably a good position and that is and this means certificate of suitability on the fulfillment of certain needs of the County, such as adequate water supply in the area, sewer system in your area, safety concerns that are articulated, police and road work, all of which are things that you have not agreed to at this point in time, but yet this Commission would have the power to impose upon you as part of

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the certificate of suitability. If they gave you a certificate of suitability with those conditions you would, of course, be free to reject it. Are there any conditions in those areas that you would reject at this point in time?

MR. STURGES: Not as you've just described them; they could like we could live with all of them.

MR. THAR: Including dollar amounts that we may impose?

MR. STURGES: Well, the dollar amounts, I think, are something that I think has got to be analyzed. I mean I don't think, I don't think, you know, in a vacuum we would agree with dollar amount until our experts took a look at whether the dollars were adequate, too much, or having been in principle the direct impact of our project that's something we're

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expecting to pay for.

MR. THAR: One final thing.
With regard to the hundred and fifty-five million dollar figure that you are using for your project, does that include any of your second phase aspect of your project?

MR. STURGES: None whatsoever.

MR. THAR: So your project cost, for the project investment would go up if you deemed it financially sound to do so?

MR. STURGES: Exactly, that's right.

MR. THAR: That covers my questions....

MR. SWAN: I have one more unrelated question. If we were to grant a certificate in Crawford County as well as a certificate to you, how do you feel that that would

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impact your project?

MR. STURGES: We don't believe it will have a significant or material impact on our business.

MR. SWAN: Can you explain why? These are fairly close together.

MR. STURGES: Well, we've found in the gaming business that proximity to your market is really a critical fact and we just feel that our site in Harrison County gives us tremendous access to large numbers of people and would give us a tremendous competitive advantage over a facility located in Crawford County, and it would be very difficult for a Crawford County facility we believe to draw from the markets we intend to draw from.

MR. SWAN: Let's put it another way. If we award you a certificate

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of suitability, do you think it's feasible that we can also award one to Crawford County from a market standpoint?

MR. STURGES: I don't know that we want to rain on Crawford County's parade here. Let's say our numbers are achievable even with a boat in Crawford County, and I can't say that we have looked at it any more depth than that. We're concerned about what we think we can do with our site.

MR. SWAN: I appreciate that. Thank you.

MR. KLINEMAN: I think we've come to the end and I want to thank you gentlemen very much for your informative answers to our questions and with that we will take a fifteen minute recess. Thank you very much.

(RECESS)